

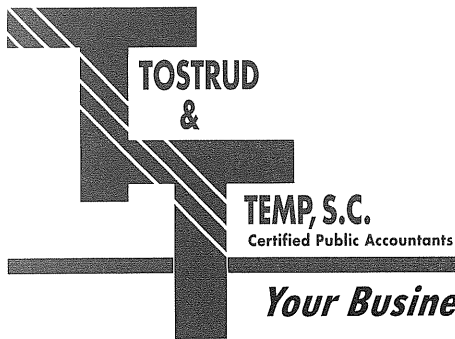
**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**EASTERN IOWA REGIONAL UTILITY  
SERVICE SYSTEMS COMMISSION**

**JUNE 30, 2010**

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609 S. 4th Street, Suite B  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Eastern Iowa Regional Utility  
Service Systems Commission  
Dubuque, Iowa

We have audited the accompanying proprietary fund statements of the Eastern Iowa Regional Utility Service Systems Commission ("Commission") as of June 30, 2010 and the related proprietary fund statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Commission has not presented a "Management's Discussion and Analysis" that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Eastern Iowa Regional Utility Service Systems Commission as of June 30, 2010 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with the Government Auditing Standards, we have also issued a report dated December 13, 2010 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Testud + Temp, S.C.*

December 13, 2010

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

The Eastern Iowa Regional Utility Service Systems (EIRUSS) is an organization created by the Cedar, Clinton, Delaware, Jackson, and Jones County Boards of Supervisors under Code of Iowa, Chapter 28E, which allows local governments to establish agreements that enable them to provide joint services and facilities with other agencies and cooperate in other ways of mutual advantage.

The purpose of EIRUSS is to plan, design, develop, finance, construct, own, operate and maintain essential facilities and services including, but not limited to, wastewater treatment systems and water systems for and on behalf of the counties and the cities and unincorporated areas within the counties. East Central Intergovernmental Association (ECIA) is the management agent.

As management of EIRUSS, we offer the readers of EIRUSS's financial statements this narrative overview and analysis of the financial activities of EIRUSS for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with EIRUSS's financial statements, which follow this discussion and analysis. This report complies with the Governmental Accounting Standards Board (GASB) Statement 34 reporting model.

Fiscal Year 2010 activities included design and administrative work on the Leisure Lake wastewater system. The project will serve 340 households in rural Jackson County. Other projects in progress include a \$1 million wastewater system to serve the Fairview community in rural Jones County, ultimately serving approximately 60 users; Elvira (19 users) in rural Clinton County, Petersburg (68 users) and Lake Delhi (900 users) in rural Delaware County and several other potential projects. Systems currently in operation include the Center Junction wastewater system and the Andover water system.

As we look to fiscal 2011, EIRUSS continues to remain focused on providing excellent services to our members in the region.

**FINANCIAL HIGHLIGHTS**

- The assets of EIRUSS exceeded its liabilities at June 30, 2010 by \$1,274,376 (net assets).
- EIRUSS's net assets increased by .4%, or \$5,454, from June 30, 2009 to June 30, 2010.
- Total revenues decreased 81.9%, or approximately \$589,000, from fiscal 2009 to fiscal 2010. This was primarily due to a decrease in USDA grant income as the Center Junction and Andover projects were completed in fiscal 2009. Total expenditures increased 96.5%, or approximately \$61,000 from fiscal 2009 to fiscal 2010. This was primarily due to a full year of operations for the Andover water system as well as a full year of depreciation expense on both the Center Junction and Andover capital assets.

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
JUNE 30, 2010**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to EIRUSS's basic financial statements. The financial statements included in this report are designed to provide readers with a broad overview of EIRUSS's finances, in a manner similar to a private sector business. EIRUSS utilizes the accrual basis of accounting, which recognizes revenues and expenses when earned, regardless of when cash is received or paid. The following statements are included in this report:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of EIRUSS's financial activities.
- The *Statement of Net Assets* presents information on EIRUSS's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of EIRUSS is improving or deteriorating.
- All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenditures and Changes in Net Assets*. This statement measures the success of EIRUSS's operations. It can be used to determine whether EIRUSS has successfully recovered all its costs through its rates, fees and other revenues. This statement also measures EIRUSS's profitability and credit worthiness.
- The *Statement of Cash Flows* presents the change in cash and cash equivalents during the year. This information can assist the user of the report in determining how EIRUSS financed its activities and how it met its cash requirements.
- *Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.
- *Supplemental Financial Information* further explains and supports the financial statements and includes a schedule of Federal Financial Assistance.

**ANALYSIS OF NET ASSETS**

As previously noted, net assets may serve over time as a useful indicator of EIRUSS's financial position. The analysis that follows focuses on the changes in the components that make up net assets.

**CONDENSED STATEMENT OF NET ASSETS**

	2010	2009	NET CHANGE	PERCENT CHANGE
Cash and investments	24,790	28,798	(4,008)	(13.9)
Other Current Assets	8,765	32,632	(23,867)	(73.1)
Capital Assets	1,901,904	1,716,375	185,529	10.8
Total Assets	1,935,459	1,777,805	157,654	8.9

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
JUNE 30, 2010**

**CONDENSED STATEMENT OF NET ASSETS - CONTINUED**

	<b>2010</b>	<b>2009</b>	<b>NET CHANGE</b>	<b>PERCENT CHANGE</b>
Current Liabilities	130,186	308,883	(178,697)	(57.9)
Long-Term Liabilities	530,897	200,000	330,897	165.4
Total Liabilities	661,083	508,883	152,200	29.9
Net Investment in Capital Assets	1,371,007	1,316,375	54,632	4.2
Unrestricted	(96,631)	(47,453)	(49,178)	103.6
Total Net Assets	1,274,376	1,268,922	5,454	0.4

The decrease of \$23,867 in Other Current Assets is due to a decrease in grants receivable. The increase of \$185,529 in Capital Assets is due to Construction in Progress on the Leisure Lake and Fairview sewer projects. Current liabilities decreased and long-term liabilities increased as short term financing was replaced by long-term loans for the Center Junction and Andover systems.

**ANALYSIS OF REVENUES AND EXPENDITURES**

The Statement of Revenues, Expenses and Changes in Net Assets identifies the various revenue and expense items which affect the change in net assets.

**CONDENSED STATEMENT OF REVENUES  
EXPENSES AND CHANGES IN NET ASSETS**

	<b>2010</b>	<b>2009</b>	<b>NET CHANGE</b>	<b>PERCENT CHANGE</b>
Revenues:				
Grant income	71,388	654,380	(582,992)	(89.1)
Operating revenues	53,699	38,223	15,476	40.5
Other revenue	5,000	26,895	(21,895)	(81.4)
Interest Income	96	107	(11)	(10.3)
Total Revenue	130,183	719,605	(589,411)	(81.9)
Expenses:				
Operating Expenses	48,341	17,978	30,363	168.9
Depreciation	36,869	3,063	33,806	1103.7
Miscellaneous	39,519	42,444	(2,925)	(6.9)
Total Expenses	124,729	63,485	61,244	96.5
Change in Net Assets	5,454	656,120		
Net Assets July 1	1,268,922	612,802		
Net Assets June 30	1,274,376	1,268,922	5,454	0.4

Grant income decreased by approximately \$583,000 due to the completion of the Center Junction and Andover projects. Other revenue decreased \$21,895 primarily due to sales tax refunds on the Center Junction and Andover projects in FY 2009. Operating

**EASTERN IOWA REGIONAL UTILITY SERVICE SYSTEMS  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
JUNE 30, 2010**

revenues, operating expenses and depreciation expense increased as the Center Junction and Andover systems were in operation for the entire year in FY 2010.

**OVERVIEW OF BUDGETS**

EIRUSS annually adopts an operating budget on a basis consistent with generally accepted accounting principles. Construction (development) budgets are established throughout the year as new projects are approved. All budgets are submitted to USDA for approval.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

As of June 30, 2010, EIRUSS had \$1,901,904 invested in capital assets (net of depreciation), including a water treatment building and reservoir in Andover, IA and a lagoon, lift station and collection system in Center Junction, IA. Also included in capital assets was \$364,427 in construction in progress on four additional wastewater system projects. Total outstanding debt was \$530,897, which represents the outstanding balance of the USDA long-term loan for the Center Junction wastewater system (\$199,796), the USDA long-term loans for the Andover water system (\$174,000) and interim financing of \$157,101 for the Fairview sewer project.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

EIRUSS's management and the Board of Commissioners considered many factors when setting the fiscal year 2011 development and operating budgets. New projects are dependent on USDA funding. Decreases in Federal funding levels will continue to be a concern in the year ahead.

As we progress into 2011, we will continue to work collaboratively, developing new and building on already successful partnerships, while management remains committed to building strong and healthy communities and making our region a great place to live and work.

**FINANCIAL CONTACT**

These financial statements are designed to provide our member communities, funding agencies and creditors with a general overview of EIRUSS's finances and to show EIRUSS's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Mark Schneider, ECIA's Director of Community Development and Public Services or Lisa Weinhold, Director of Finance and Human Resources, 7600 Commerce Park, Dubuque, IA 52002.



Eastern Iowa Regional Utility  
Service Systems Commission  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
June 30, 2010

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 24,790
Receivables	8,765
Total current assets	<u>33,555</u>
Property, plant and equipment	
Land	100,521
Plant and equipment	1,476,888
	<u>1,577,409</u>
Less accumulated depreciation	39,932
Net property, plant and equipment	<u>1,537,477</u>
Construction in progress	<u>364,427</u>
Total assets	<u>\$ 1,935,459</u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable	\$ 130,186
Current portion of loans payable	2,043
	<u>132,229</u>
Long-term liabilities	
Loans payable	528,854
	<u>528,854</u>
Total liabilities	661,083
Net assets	
Invested in capital assets, net of related debt	1,371,007
Loan reserves	10,214
Unrestricted	(106,845)
	<u>1,274,376</u>
Total liabilities and net assets	<u>\$ 1,935,459</u>

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility  
Service Systems Commission  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS - PROPRIETARY FUND**  
Year ended June 30, 2010

	Program	General	Total
<b>Operating revenues</b>			
Grant income	\$ 46,388	\$ 25,000	\$ 71,388
Service fees collected	53,699	-	53,699
Other income	5,000	-	5,000
Total operating revenue	<u>105,087</u>	<u>25,000</u>	<u>130,087</u>
<b>Operating expenses</b>			
Administrative expense	32,434	38,857	71,291
Architect and engineering fees	130,036	-	130,036
Legal fees	15,604	-	15,604
Insurance	-	482	482
Interest expense	15,541	-	15,541
Subcontractor costs	6,430	-	6,430
Other costs	38,849	180	39,029
Depreciation expense	36,869	-	36,869
Service fee costs	31,844	-	31,844
Total operating expenses	<u>307,607</u>	<u>39,519</u>	<u>347,126</u>
Less - fixed asset additions	44,192	-	44,192
Less - construction in progress	178,205	-	178,205
Net operating expenses	<u>85,210</u>	<u>39,519</u>	<u>124,729</u>
Operating income	19,877	(14,519)	5,358
<b>Non-operating income</b>			
Interest income	<u>-</u>	<u>96</u>	<u>96</u>
<b>Changes in net assets</b>	19,877	(14,423)	5,454
Net assets at July 1, 2009	<u>1,208,414</u>	<u>60,508</u>	<u>1,268,922</u>
Net assets at June 30, 2010	\$ <u><u>1,228,291</u></u>	\$ <u><u>46,085</u></u>	\$ <u><u>1,274,376</u></u>

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility  
Service Systems Commission  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
Year ended June 30, 2010

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 77,565
Receipts from grants	71,388
Receipts from other income	5,000
Payments to suppliers for goods and services	<u>(288,954)</u>
Net cash provided by (used in) operating activities	(135,001)
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	331,101
Payment of principal on long-term debt	<u>(200,204)</u>
Net cash used in capital and related financing activities	130,897
<b>Cash flows from investing activities</b>	
Interest received	<u>96</u>
Net cash provided by investing activities	<u>96</u>
Net increase in cash	(4,008)
Cash at July 1, 2009	<u>28,798</u>
Cash at June 30, 2010	<u><u>\$ 24,790</u></u>

**Reconciliation of Operating Income (Loss) to Net  
Cash Provided By (Used In) Operating Activities**

Operating income	\$ 5,358
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	36,869
(Increase) decrease in accounts receivable	23,866
(Increase) decrease in other assets	(222,497)
Increase (decrease) in accounts payable	<u>21,303</u>
	<u>(140,459)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (135,101)</u></u>

The accompanying notes are an integral part of this statement.

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended June 30, 2010

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

On February 11, 2005 the Eastern Iowa Regional Utility Service Systems Commission ("Commission") was created as a public body corporate and politic and separate legal entity pursuant to Chapter 28E of the Code of Iowa by the Counties of Cedar, Clinton, Delaware, Jackson and Jones, Iowa.

The Commission was created for the purpose of planning, designing, developing, financing, constructing, owning, operating and maintaining essential facilities and services including, but not limited to, wastewater treatment systems and water systems for and on behalf of the Counties and the cities and unincorporated areas within the Counties.

**1. Financial Statements**

The financial statements of the Eastern Iowa Regional Utility Service Systems Commission ("Commission") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Commission are described below.

**2. Component Units**

Accounting principles generally accepted in the United States of America (GAAP) require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the Commission's reporting entity because of the significance of its operational or financial relationships with the Commission. All significant activities and organizations with which the Commission exercises oversight responsibility have been considered for inclusion in the financial statements. The Commission has no component units, and it is not included in any other governmental reporting entity.

**3. Basis of Presentation**

The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -  
CONTINUED**

**3. Basis of Presentation - Continued**

The Commission has the following proprietary fund:

**Enterprise fund** - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Commission accounts for its water and sewer utilities as enterprise funds.

**4. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Measurement Focus** - Enterprise funds are accounted for on an economic resources measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenue) and decreases (expenses) in total net assets.

**Basis of Accounting** - Proprietary funds are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting and in accordance with accounting procedures prescribed by the Wisconsin Public Service Commission. Under this method, all assets and liabilities associated with operations are included on the balance sheet, revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -  
CONTINUED**

**4. Measurement Focus, Basis of Accounting and Financial Statement  
Presentation - Continued**

For its proprietary activities, the Commission does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989. The proprietary funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Statement of Net Assets** - The statement of net assets is designed to display the financial position of the Commission. The Commission's fund equity is no longer reported as retained earnings and contributed capital, but rather as net assets which is broken down into three categories defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net assets consists of constraints placed on net assets used through external constraints imposed by creditors (such as bond covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Statement of Revenues, Expenses, and Changes in Net Assets** - The statement of revenues, expenses, and changes in net assets is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and nonoperating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

**5. Deposits and Investments**

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -  
CONTINUED**

**5. Deposits and Investments - Continued**

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

**6. Receivables**

Uncollectible Accounts

Accounts receivable have been shown at gross amount. No provision for uncollectible accounts receivable has been provided since it is believed that the amount of such allowance would not be material. There is no unbilled revenue at June 30, 2010.

Interfund Loans

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Noncurrent portions of long-term interfund loans receivable/payable are reported in "advance to/from" accounts.

**7. Inventories**

Inventories are valued at the lower of cost (first-in, first-out basis) or market. There was no inventory as of June 30, 2010.

**8. Capital Assets**

Buildings and all equipment are carried at cost and depreciated on a straight-line basis over 40 years. When property is retired or otherwise removed from service, the accumulated provision for depreciation is reduced by its cost and removed, and increase by the salvage value or other amount realized from its retirement or removal.

Additions to and replacements of utility plant are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired, or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES -  
CONTINUED**

**8. Capital Assets - Continued**

Interest is capitalized on utility property with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest cost is amortized on the same basis as the related asset is depreciated.

**9. Other Assets**

Debt issuance costs are deferred and amortized over the term of the debt issue.

**10. Compensated Absences**

The Commission has no employees that receive vacation or sick leave benefits; therefore, no compensated absence liabilities exist at June 30, 2010.

**11. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**12. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**13. Subsequent Events**

The Commission has evaluated subsequent events through December 13, 2010, the date which the financial statements were available to be issued.



Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE B - CASH DEPOSITS**

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets

Cash and cash equivalents	\$ 24,790
Net assets and investments	\$ <u>24,790</u>

Cash and investments as of June 30, 2010 consist of the following:

	Carrying Amount	Bank Balance
Investment checking/savings and money market accounts	\$ 24,790	\$ 27,682
	\$ <u>24,790</u>	\$ <u>27,682</u>

The Commission's deposits in banks at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**NOTE C - BUDGETS**

The Commission is not required to adopt a formal budget per the existing by-laws. The Commission prepares budgets specific to each project they decide to pursue and utilize them at this level to manage their progress through to completion.

**NOTE D - RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors; and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE E - UTILITY FIXED ASSETS**

A summary of changes in Water and/or Wastewater Utility property, plant, and equipment during the current year follows:

	Balances 6/30/09	Additions	Removals	Balances 6/30/10
<b>Andover Water System</b>				
Land	\$ 1,292	\$ -	\$ -	\$ 1,292
Well and well pump	123,761	6,430		130,191
Distribution system	181,724	-	-	181,724
Storage reservoir	81,439	-	-	81,439
Treatment building	129,928	-	-	129,928
Other capitalized costs	109,134	-	-	109,134
Totals	<u>627,278</u>	<u>6,430</u>	<u>-</u>	<u>633,709</u>
Less accumulated depreciation	<u>1,304</u>	<u>15,757</u>	<u>-</u>	<u>17,061</u>
Andover totals	<u>\$ 625,974</u>	<u>\$ (9,327)</u>	<u>\$ -</u>	<u>\$ 616,648</u>
<b>Center Junction Wastewater System</b>				
Land	\$ 61,467	\$ -	\$ -	\$ 61,467
Collection system	335,831	-	-	335,831
Lift station	40,000	-	-	40,000
Service lines	61,608	-	-	61,608
Lagoon	193,585	-	-	193,585
Other capitalized costs	213,447	-	-	213,447
Totals	<u>905,938</u>	<u>-</u>	<u>-</u>	<u>905,938</u>
Less accumulated depreciation	<u>1,759</u>	<u>21,112</u>	<u>-</u>	<u>22,871</u>
Center Junction totals	<u>\$ 904,179</u>	<u>\$ (21,112)</u>	<u>\$ -</u>	<u>\$ 883,067</u>
<b>Fairview Wastewater System</b>				
Land	\$ -	\$ 37,762	\$ -	\$ 37,762
Total fixed assets	<u>\$ 1,530,153</u>	<u>\$ 7,323</u>	<u>\$ -</u>	<u>\$ 1,537,477</u>

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE F - CONSTRUCTION IN PROGRESS**

A summary of changes in construction in progress as of 6/30/10 follows.

Projects	Balances 6/30/09	Additions	Removals	Balances 6/30/10
Andover	\$ -	\$ -	\$ -	\$ -
Center Junction	-	-	-	-
Elvira	5,940	265	-	6,205
Fairview	88,646	36,157	-	124,803
Lake Delhi	9,879	-	-	9,879
Leisure Lake	78,222	141,747	-	219,969
Petersburg	3,535	36	-	3,571
Totals	<u>\$ 186,222</u>	<u>\$ 178,205</u>	<u>\$ -</u>	<u>\$ 364,427</u>

**NOTE G - LONG-TERM OBLIGATIONS**

Summary and details of the Commission's long-term obligations are set forth below:

	Balances 6/30/09	Additions	Payments	Balances 6/30/10
	<u>\$ 200,000</u>	<u>\$ 331,101</u>	<u>\$ 204</u>	<u>\$ 530,897</u>
Detailed Description			Balance at June 30, 2010	Due Within One Year
\$199,796 of sewer revenue bonds financed by the USDA dated June 3, 2009 and due in monthly installments of \$870, including interest at 4.125% per annum beginning August 1, 2010 until May 1, 2048.			\$ 199,796	\$ 2,043
\$140,000 of utility bonds financed by the USDA dated November 3, 2009 and due in monthly installments of \$609, including interest at 4.125% per annum beginning August 1, 2011 through June 1, 2049.				
Interest only payment of \$5,775 due on July 1, 2011.			140,000	-
\$33,000 of utility bonds financed by the USDA dated November 3, 2009 and due in monthly installments of \$152, including interest at 4.50% per annum beginning August 1, 2011 through November 1, 2048.				
Interest only payment of \$1,485 due on July 1, 2011.			33,000	-
\$1,000 of utility bonds financed by the USDA dated November 3, 2009 and due in monthly installments of \$4, including interest at 2.50% per annum beginning August 1, 2011 through December 1, 2040.				
Interest only payment of \$25 due on July 1, 2011.			1,000	-

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE G - LONG-TERM OBLIGATIONS - CONTINUED**

\$157,101 bank note with Exchange State Bank at 3.90% interest to be converted to USDA loan at 2.375% interest within next two fiscal years to be repaid over 40 year period after conversion.

157,101	-
\$ <u>530,897</u>	\$ <u>2,043</u>

Maturities of long-term obligations at June 30, 2010 are as follows:

Years	Principal	Interest	Total
2011	\$ 2,043	\$ 14,812	\$ 16,855
2012	161,188	14,768	175,956
2013	4,423	15,197	19,620
2014	4,610	15,010	19,620
2015	4,806	14,814	19,620
2016 - 2020	27,249	70,851	98,100
2021 - 2025	33,517	64,583	98,100
2026 - 2030	41,230	56,870	98,100
2031 - 2035	50,721	47,379	98,100
2036 - 2040	62,401	35,699	98,100
2041 - 2045	76,549	21,338	97,887
2046 - 2048	62,160	4,749	66,909
	\$ <u>530,897</u>	\$ <u>376,070</u>	\$ <u>906,967</u>

**NOTE H - LOAN RESERVES**

On November 6, 2009, the Commission secured loans from the USDA which require certain amounts to be reserved for operations and maintenance, debt service and depreciation. As of June 30, 2010 the sum of these reserve balances were as follows:

	Andover	Center Junction	Total
Operation and maintenance	\$ 2,000	\$ 1,500	\$ 3,500
Debt service	1,312	2,068	3,380
Depreciation	1,534	1,800	3,334
	\$ <u>4,846</u>	\$ <u>5,368</u>	\$ <u>10,214</u>

The debt service requires annual deposits of \$918 for Andover and \$1,044 for Center Junction until they are fully funded. Andover will be fully funded once it reaches \$9,180 in fiscal year 2019 and Center Junction will be fully funded once it reaches \$10,440 in fiscal year 2019. In addition both projects require annual depreciation deposits of \$1,537 and \$1,766 for Andover and Center Junction respectively until the loan is paid in full.

Eastern Iowa Regional Utility  
Service Systems Commission  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2010

**NOTE H - LOAN RESERVES - CONTINUED**

The future debt service and depreciation reserve deposits are as follows:

	Andover	Center Junction	Total
2011	\$ 2,455	\$ 2,810	\$ 5,265
2012	2,455	2,810	5,265
2013	2,455	2,810	5,265
2014	2,455	2,810	5,265
2015	2,455	2,810	5,265
2016 - 2020	10,963	11,982	22,945
2021 - 2025	7,685	8,830	16,515
2026 - 2030	7,685	8,830	16,515
2031 - 2035	7,685	8,830	16,515
2036 - 2040	7,685	8,830	16,515
2041 - 2045	7,685	8,830	16,515
2046 - 2049	6,148	5,298	11,446
	<u>\$ 67,811</u>	<u>\$ 75,480</u>	<u>\$ 143,291</u>

**SUPPLEMENTAL FINANCIAL INFORMATION**

Eastern Iowa Regional Utility  
Service Systems Commission  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BY PROGRAM**  
For the year ended June 30, 2010

	Andover	Center Junction	Elvira	Fairview	Leisure Lake	Peters- burg	Subtotal	General	Total
<b>Operating revenues</b>									
Grant income	\$ 4,655	\$ -	\$ -	\$ -	\$ 41,733	\$ -	\$ 46,388	\$ 25,000	\$ 71,388
Developer fees	-	-	-	-	-	-	-	-	-
Sales tax refund	-	-	-	-	-	-	-	-	-
Service fees collected	24,430	29,269	-	-	-	-	53,699	-	53,699
Other income	5,000	-	-	-	-	-	5,000	-	5,000
Total operating revenues	34,085	29,269	-	-	41,733	-	105,087	25,000	130,087
<b>Operating expenses</b>									
Administrative expense	-	-	229	10,012	22,193	-	32,434	38,857	71,291
Architect and engineering fees	-	-	-	10,816	119,220	-	130,036	-	130,036
Legal fees	456	500	36	14,576	-	36	15,604	-	15,604
Insurance	-	-	-	-	-	-	-	482	482
Interest expense	7,473	8,068	-	-	-	-	15,541	-	15,541
Subcontractor costs	6,430	-	-	-	-	-	6,430	-	6,430
Other costs	-	-	-	38,515	334	-	38,849	180	39,029
Depreciation expense	15,757	21,112	-	-	-	-	36,869	-	36,869
Service fee costs	17,854	13,990	-	-	-	-	31,844	-	31,844
Total operating expenses	47,970	43,670	265	73,919	141,747	36	307,607	39,519	347,126
Less fixed asset additions	6,430	-	-	37,762	-	-	44,192	-	44,192
Less construction in progress	-	-	265	36,157	141,747	36	178,205	-	178,205
Net operating expense	41,540	43,670	-	-	-	-	85,210	39,519	124,729
Operating income	(7,455)	(14,401)	-	-	41,733	-	19,877	(14,519)	5,358
<b>Non-operating income (expense)</b>									
Interest income	-	-	-	-	-	-	-	96	96
<b>Changes in net assets</b>	(7,455)	(14,401)	-	-	41,733	-	19,877	(14,423)	5,454
Net assets at July 1, 2009	440,036	700,869	-	-	67,510	-	1,208,414	60,508	1,268,922
Net assets at June 30, 2010	\$ 432,581	\$ 686,468	\$ -	\$ -	\$ 109,243	\$ -	\$ 1,228,291	\$ 46,085	\$ 1,274,376

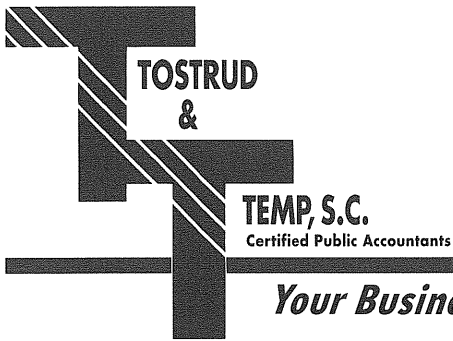
Eastern Iowa Regional Utility  
Service Systems Commission  
Dubuque, Iowa  
**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**  
For the year ended June 30, 2010

<u>Grantor/Program</u>	<u>Federal CDFA Number</u>	<u>Agency or Pass-Through Grantor's Number</u>	<u>Accrual Basis Program Disbursements</u>
<b>Direct</b>			
<b>United States Department           of Agriculture</b>			
Infrastructure grant - USDA			
Andover	10.760	06,09	\$      4,655
Infrastructure loan - USDA			
Andover	10.760	91-03	140,000
Andover	10.760	91-05	33,000
Andover	10.760	91-08	<u>1,000</u>
 Total United States Department of Agriculture			 <u>178,655</u>
 Total Federal Financial Assistance			 \$ <u><u>178,655</u></u>

Note: This statement is prepared on the accrual basis of accounting.



**OTHER REPORT**



609 S. 4th Street, Suite B  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Eastern Iowa Regional Utility  
Service Systems Commission  
Dubuque, Iowa

We have audited the financial statements of the Eastern Iowa Regional Utility Service Systems Commission as of and for the year ended June 30, 2010 and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Commission's management, and the board of commissioners and grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Tostud & Temp, S.C.*

December 13, 2010